

2009 Net Profits License Fee Return Instructions

General Instructions

The following instructions are provided to aid the licensee in the completion of the Net Profits License Fee Return. They are not intended to be all-inclusive and therefore should be used only as a supplement to the existing License Fee Ordinances and Regulations. If you have any questions that are not addressed in these instructions please refer to the License Fee Ordinances and Regulations.

WHO MUST FILE:

Corporations, partnerships, sole proprietorships, estates and trusts, or other businesses engaged in an occupation, trade, profession, enterprise or other activity with: 1) business activity in Ohio County, KY and 2) business nexus in Ohio County, KY. **ALL ACCOUNTS REGARDLESS OF WHETHER THE BUSINESS RESULTED IN A PROFIT OR LOSS.**

*** \$25.00 MINIMUM PENALTY FOR FAILURE TO FILE APPLIES EVEN IF THE BUSINESS RESULTED IN A LOSS**

YOU MUST FILE THE NET PROFITS LICENSE FEE RETURN EVEN IF:

- Your business activity resulted in a loss for the tax year. Complete the Return according to the instructions provided, sign and return the form to this office
- You were not actively engaged in business within Ohio County during the year. Write **‘No Business Activity in ____ (tax year)’** in Section 1 of the form. Sign the form and return it to this office, along with a copy of the **first page of your federal Form 1040 for the tax year** in question.
- Your business activity ceased prior to the completion of the fiscal period. Complete the Net Profits License Fee Return according to the instructions provided and ‘write’ **“FINAL RETURN”** on the form. Complete LINE ‘C’ (upper right corner of Return), sign and return the form to this office.

Automatic Extensions

The Extension Request Coupon (located at the bottom of the Net Profit Return) should be provided by the client or his duly authorized agent, to this office, on or before the due date for filing. The Coupon must be properly signed by the client or a duly authorized agent AND have attached a copy of the federal extension request Form 4868 or 7004.

An automatic extension of time for filing the Net Profits License Fee Return does not extend the time for payment of the license fee. Full payment of the estimated license fee liability must accompany the request for extension.

Interest at the rate of twelve (12) percent per annum shall apply to any unpaid license fee during the period of extension and shall be included with the amount remitted in payment of the license fee at the time of filing the Net Profits License Fee Return within the period as extended.

Any automatic extension shall be granted with the understanding that all prior filing and payment requirements have been fulfilled. However, if upon further examination it becomes evident that prior filing and payment requirements have not been fulfilled; interest and penalty shall be assessed in full and in the same manner as though no extension had been granted.

Special Provisions

The occupational license tax imposed shall not apply to certain persons or business entities. For a complete listing of those persons or business entities not applicable, see Ordinance 2009-2, Section 3, sub-section 5 (a), (b), (c), (d), (f) & (g).

***NOTE:** Those organizations that pay wages, salaries, commissions or other compensation for work performed or services rendered within Ohio County must apply for a license fee number and submit withholdings on those wages, salaries, commissions or other compensation, even though they are not required to complete a Net Profits License Fee Return.

Licensee Information

In order for your Return to be processed properly you must:

- File using Ohio County Occupational Tax Office issued Net Profits License Fee Return.
- Complete the Extension Coupon if requesting an extension of time to ‘file’.
- Complete the Worksheet on the reverse of the Net Profits License Fee Return.
- Enter or verify the account number assigned to your business by the Ohio County Occupational Tax Office
- Enter or verify the year for which the return is filed.
- Enter or verify the federal identification number or social security number under which your federal tax return was filed.
- Clearly indicate or verify the name and address of the business and note any changes.
- Sign and date the return.
- Attach copies of the **appropriate federal tax forms and all supporting documentation.**

All questions must be answered fully. If the question does not apply to your business indicate “NA”.

- Line A:** Enter the nature of your business
- Line B:** Enter date business started in Ohio County.
- Line C:** Enter the date business **ended** in Ohio County if Applicable. If ended state whether it was sold, transferred or dissolved. If sold or transferred provide name and address of Successor.
- Line D:** Enter whether you had employees working in Ohio County during the period in question, and whether or not tax was Withheld and remitted for them.
- Line E:** Enter whether or not you filed a tax return.

- Line F:** Enter basis upon which your return was prepared.
- Line G:** Indicate the form of legal entity under which the business operates. The entity type should be the same as used for federal income tax purposes. If an entry is listed as “Other” you must specify the type.
- Line H:** Indicate whether the Business Entity is an Affiliate of a Consolidated Corporate Federal Return.

Filing Status - Indicate which worksheet was used based on the federal return that was filed.

Section 1 - Calculation of License Fee Liability

Line 1:	Enter the adjusted net business income from the applicable Worksheet on the reverse side of the Net Profit form. This Worksheet must be completed in order to determine your adjusted net business income.
Line 2:	Enter the average allocation percentage from Section 2, Line 4, Column C.
Line 3:	Multiply Line 1 by Line 2. Enter the result on Line 3.
Line 4:	Multiply Line 3 x 1.0000% . Enter result on Line 4.
Line 5:	Subtract any Estimated payments or Credit from a prior year filing.
Line 6:	Subtract Line 5 from Line 4 and enter result.
Line 7:	If the license fee due is not paid by the due date of the return, penalty is assessed at the rated of five (5) percent per month or portion thereof, not to exceed 25% with a Minimum fee of \$25.00. This penalty is to be assessed on the first day after the due date and on the first day of each succeeding calendar month until the license fee is paid. Multiply the license fee due on Line 4 or 6 by the appropriate percentage. Enter the result on Line 7. A MINIMUM \$25.00 CHARGE IS ASSESSED FOR THE FAILURE TO FILE ANY RETURN BY ITS DUE DATE.
Line 8	If the license fee due is not paid by the due date of the return, interest is assessed at the rate of one percent per month or portion thereof. A fraction of a month is counted as an entire month.
Line 9:	Add Lines 6 through 8. This is the total tax due. (Unless the amount is less than \$10. If under \$10 no payment is due, enter “0” here).
Line 10:	Enter 1% of the GROSS amount of farm labor paid IF the tax was not remitted to this office Quarterly.
Line 11:	Add Lines 9 and 10. This is the total due. PAY THIS AMOUNT BY THE DUE DATE.
Line 12:	Overpayments of LESS THAN \$50 are not eligible for refund unless certain criteria are met. See Ordinance 2009-2 Section 10 (3) for further information regarding refunds.

Section 2 – Calculation of Business Allocation Percentage

Section 2 must be completed by all licensees with business receipts and / or payroll both within and without Ohio County. Completion of the schedule allocates to the Ohio County Government the proportionate part of the licensee’s total business activity attributable to Ohio County. If your business is conducted entirely within Ohio County it is not necessary to complete Section 2. Instead, enter 100% on Section 1, Line 2 and complete the remainder of Section 1.

Sales factor:

Line 1	Column A:	Enter the total sales revenue received from all Ohio County sources during the period covered by the Net Profits License Fee Return. Include receipts attributable to activities or work performed in Ohio County.
	Column B:	Enter the total sales revenue received from all sources including Ohio County during the period covered by the Net Profits License Fee Return.
	Column C:	Divide Column A by Column B. Enter the result on Line 1, Column C. Carry out to at least six (6) decimal places.

Payroll factor:

Line 2	Column A:	Enter the total wages, salaries, commissions and other compensation paid or payable for work done or services performed or rendered within Ohio County during the tax period.
	Column B:	Enter the total wages, salaries, commissions and other compensation paid or payable for work done or services performed or rendered in all business locations during the tax period. This amount should equal the total salaries and wages listed on the federal return.
	*****	DO NOT INCLUDE THE COST OF CONTRACT LABOR IN EITHER COLUMN*****
	Column C:	Divide Column A by Column B. Enter the result on Line 2, Column C. Carry out to at least six (6) decimal places.

Average Percentage

Line 3	Column C:	Add Column C, Lines 1 and 2. Enter the result on Line 3, Column C.
Line 4	Column C:	Divide Line 3, Column C by the number of percents used on Lines 1 and 2, Column C. Enter the result on Line 4, Column C and Line 2, Section 1.

NOTE: If one of the factors (sales factor or payroll factor) is missing the remaining factor is the average allocation percentage (Line 2 of Section 1). A factor (sales factor or payroll factor) is considered missing if:

1.	With regard to the sales factor, a licensee’s entire business operation did not recognize any receipts. (i.e. Schedule C, Line 1, Columns A and B both equal zero)
2.	With regards to the payroll factor a licensee’s entire business operation did not incur any expenditure for payroll. (i.e. Schedule C, Line 2, Columns A and B both equal zero)

Worksheet Information

Refer to the following list to determine which Worksheet should be used in completing your Worksheet.

- Schedule C, C-EZ, E or F: Individuals receiving income from the operation of a trade, business or profession should complete the Worksheet marked “I” found on reverse side of Net Profits Return form.
- Form 1065: Partnerships should complete the Worksheet mark “P” found on reverse side of Net Profits Return form.
- Form 1120, 1120A, 1120S: Corporations should complete the Worksheet marked “C” on reverse side of Net Profits form.
- Form 1041 and other associations: Fiduciaries and all others should complete the “I” Worksheet.
- Limited Liability Companies: LLC’s have the same entity classification as that elected for federal income tax filings and shall be assessed occupational license fees accordingly. Complete the worksheet that corresponds to your federal tax filings.

Worksheet “I” - Calculations of Adjusted Net Business Income

Line 1:	Enter the amount of non-employee compensation reported on federal Form 1099 MISC on Line 1. NOTE: Line 1 should only be completed by individuals who received payments for contract services who are not claiming business expenses and did not own or operate a business during the year (attach a copy of federal Form 1040 and Form 1099 MISC)
Line 2:	Enter the net profit or (loss) per federal Schedule C, C-EZ, E and /or F (attach a copy of Federal Form 1040 and all applicable schedule(s). For sole proprietors using Schedule E from a jointly filed Federal Form 1040, the net income (loss) from rental real estate activities can be combined with the net income (loss) from other sole proprietorships of one or both spouses using any reasonable method. The election to file using a certain method is considered to be made on the initial return filed with the Occupational Tax Office and must be consistently applied on all future returns. Schedule F: Farm income should be reported only if the farm is located within Ohio County. Reminder: Funds received from the state as a share of the tobacco settlement funds to be paid to farmers are exempt from inclusion in net profits. <u>Sole proprietors and single member LLC’s filing as sole proprietors</u> for federal income tax purposes may combine on a single Net Profits License Fee Return the net profits or loss from two or more distinct business with activities within the county provided that all sole proprietorships are owned and operated by the same individual
Line 3:	Enter 100% of the short term capital gains and long term capital gains carried over from federal Form 4797 or Form 6252 (installment sales) to federal Schedule D representing gain from the sale of property used in the trade or business. In addition, enter the net gain or (loss) from the sale of property used in the trade or business per federal Form 4797 (attach a copy of federal Form 4797, Form 6252 and /or Schedule D).
Line 4:	Enter all other business income not included on Lines 1-3. Fiduciaries should complete Line 4 based upon the taxable income from federal Form 1041 (attach a copy of federal Form 1041 and other documentation necessary to support the items included).
Line 5:	Add Lines 1 through 4 to determine net business income. Enter the total on Line 5.
Line 6:	If a deduction is taken for state or local taxes (based on income) or license fees (based on income), regardless of jurisdiction, bay an individual on federal Schedule C, C-EZ, E or F then the amount of those taxes or license fees should be entered on Line 6.
Line 7:	If a deduction was taken for expenses associated with income not subject to the license fee then enter the amount on Line 7 (attach a full explanation, including amounts, of all items).
Line 8:	If a deduction was taken for any other amount that is deemed to be not deductible then enter the amount on Line 8 (attach a full explanation, including amounts, of all items). Form 1041: This line should be used to add back the amount of the income distribution deduction since this is not an allowable deduction for purposes of the Net Profits License Fee Return. Real Estate Investment Trusts: This line should be used to add back the amount of the total deduction for dividends paid and the Section 857(b) (2) (E) deduction since these are not allowable deductions for the purposes of the Net Profits License Fee Return.
Line 9:	Add Lines 6 through 8. Enter the total on Line 9.
Line 10:	If any other income included in Lines 5 is deemed not subject to the license fee then enter the amount on Line 10 (attach a full explanation, including amounts, of all items). Line 10 can be used to report allowable expenses for which the licensee elected to take a credit against its federal income tax liability in lieu of a deduction for business expenses otherwise available to the licensee. For example, wage and salary expense that is reduced as a result of the work opportunity tax credit and payroll tax expense that is reduced as a result of the federal FICA tax credit on tip income.
Line 11:	Add Lines 5 plus 9, and then deduct Line 10, to determine the adjusted net business income. Enter here and on Section 1, Line 1 of Net Profits License Fee Return.

Worksheet P – Calculation of Adjusted Net Business Income

Line 1:	Enter the ordinary income or (loss) per federal Form 1065 (attach a copy of federal Form 1065, Schedule K and all supporting schedules).		
Line 2:	The following income items which are allocated to the partners are not included as income on federal Form 1065 and thus must be added to income on Line 2. <table><tr><td><i>Net income from rental real estate activities</i> <i>Net income from other rental activities</i> <i>Interest income</i> <i>Dividend income</i> <i>Royalty income</i> <i>Other income items per Schedule K (attach schedule)</i></td><td><i>Net long- term capital gain</i> <i>Other portfolio income</i> <i>Guaranteed payments to partners</i> <i>Net gain under Sec 1231 (not casualty or theft)</i> <i>Net short-term capital gain</i></td></tr></table>	<i>Net income from rental real estate activities</i> <i>Net income from other rental activities</i> <i>Interest income</i> <i>Dividend income</i> <i>Royalty income</i> <i>Other income items per Schedule K (attach schedule)</i>	<i>Net long- term capital gain</i> <i>Other portfolio income</i> <i>Guaranteed payments to partners</i> <i>Net gain under Sec 1231 (not casualty or theft)</i> <i>Net short-term capital gain</i>
<i>Net income from rental real estate activities</i> <i>Net income from other rental activities</i> <i>Interest income</i> <i>Dividend income</i> <i>Royalty income</i> <i>Other income items per Schedule K (attach schedule)</i>	<i>Net long- term capital gain</i> <i>Other portfolio income</i> <i>Guaranteed payments to partners</i> <i>Net gain under Sec 1231 (not casualty or theft)</i> <i>Net short-term capital gain</i>		

Enter the total of these items on Line 2 (attach a copy of rental schedules(s), if applicable).

Line 3	The following items which are allocated to the partners are not included in losses or expenses on federal Form 1065 and are allowed as deductions for license fee purposes on Line 3.	
	<i>Net loss from rental real estate activities</i>	<i>Net long- term capital loss</i>
	<i>Net loss from other rental activities</i>	<i>Net loss under Sec 1231 (not from casualty loss or theft)</i>
	<i>Sec 179 expense</i>	<i>Charitable contributions</i>
	<i>Portfolio loss</i>	<i>Net short-term capital loss</i>
	<i>Deductions related to portfolio income</i>	<i>Other allowable deductions per Schedule K (attach schedule)</i>

Enter the total of these items on Line 3 (attach a copy of rental schedule(s), if applicable).

NOTE: Contributions to KEOGH plans, Simplified Employer Pension plans, and medical insurance premiums whether paid on behalf of partners or shareholders are not deductible on the Net Profits License Fee Return.

Line 4:	Add Line 1 and Line 2, and then deduct Line 3 to determine net business income. Enter the result on Line 4.
Line 5:	If a deduction is taken for state or local taxes (based on income) or license fees (based on income) , regardless of jurisdiction, by an individual on federal Form 1065 then the amount of those taxes or license fees should be entered on Line 5.
Line 6:	If a deduction was taken on Form 1065 for partners’ salaries <u>from which the license fee was not withheld</u> then enter the amount on Line 6 (attach schedule). Do not include amounts previously listed as guaranteed payments to partners on Line 2.
Line 7:	If a deduction was taken for expenses associated with income not subject to the license fee then enter the amount on Line 7 (attach a full explanation, including amounts, of all items).
Line 8:	Add lines 5 through 7. Enter the total on Line 8.
Line 9:	Enter the amount of interest income attributable to U.S. obligations included in Line 4.
Line 10:	Add Lines 4 plus 8, and then deduct Line 11, to determine the adjusted net business income. Enter here and on Section 1, Line 1 of Net Profits License Fee Return form.

Worksheet C – Calculation of Adjusted Net Business Income

Line 1:	Enter the taxable income after special deductions and net operating loss per federal Form 1120 or 1120A (attach a copy of federal Form 1120 or 1120S and all supporting schedules)
Line 2:	Enter the ordinary income or (loss) per federal Form 1120 or 1120S (attach a copy of federal Form 1120S, Schedule K and all supporting schedules).
Line 3:	The following income items which are allocated to the shareholders are not included as income on federal Form 1120 or 1120S and thus must be added to income on Line 3.

<i>Net income from rental real estate activities</i>	<i>Net long term capital gain</i>
<i>Net income from other rental activities</i>	<i>Other portfolio income</i>
<i>Interest income</i>	<i>Net gain under Sec1231 (not due to casualty or theft)</i>
<i>Dividend income</i>	<i>Net short-term capital gain</i>
<i>Royalty income</i>	<i>Other income items per Schedule K (attach schedule)</i>

Enter the total of these items on Line 3 (attach a copy of rental schedule(s), if applicable).

Line 4:	The following items which are allocated to the shareholders are not included in losses or expenses on federal Form 1120 or 1120S and are allowed as deductions for license fee purposes on Line 4.	
	Net loss from rental real estate activities	Net long-term capital loss
	Net loss from other rental activities	Net loss under Sec 1231 (not due to casualty loss or theft)
	Portfolio loss	Net short-term capital loss
	Deductions related to portfolio income	Charitable contributions
	Sec 179 expense	Other allowable deductions per Schedule K (attach schedule)

Enter the total of these items on Line 4 (attach a copy of rental schedules(s), if applicable)

Note: Contributions to KEOGH plans, Simplified Employer Pension plans, and medical insurance premiums whether paid on behalf of partners or shareholders not deductible on the Net Profits License Fee Return.

Line 5:	Add Lines 1 through 3 and deduct line 4 to determine net business income. Enter the result on Line 5.
Line 6:	If a deduction is taken for state or local taxes (based on income) or license fees (based on income), regardless of jurisdiction, by an individual on federal Form 1120 or 1120S then the amount of those taxes or license fees should be entered on Line 6.
Line 7:	If a deduction is taken on federal Form 1120 or 1120S for a net operating loss then the amount of the net operating loss should be entered on Line 7.
Line 8:	If a deduction was taken for expenses associated with income not subject to the license fee then enter the amount on Line 8 (attach a full explanation, including amounts of all items).
Line 9:	Add Lines 6 through 8. Enter the total on Line 9.
Line 10:	Enter the amount of interest income attributable to U.S. obligations included in Line 5.
Line 11:	Add Lines 5 plus 9, and then deduct Line 1 to determine the adjusted net business income. Enter <u>HERE</u> and on Section 1, Line 1 of Net Profits License Fee Return form.